RV BUSINESS

C8950-2
TLEX 22214 UC5457 3DC
9999 4104 3BI
JEANNE KING
CONSUMER JOURNAL INFO CRV
450 EAST WEST HWY #800
MD 20914

JULY 3, 1989

RVIA Seeks New Ruling on Electric Code

RVIA, after initially saying that it would require manufacturers to conform to a new, stricter interpretation of the National Electric Code (NEC), has modified its stand and is now seeking to get state inspectors to forestall enforcement until the issue can be further investigated and clarified.

Following a recent review of the electric code, a Washington state inspector, who was later joined by other state officials, notified RVIA that some RV electrical requirements would be interpreted differently to assure owner/user protection. The change would require many RV manufacturers either to replace 50-amp cords, which are presently used as standard equipment, with 50-amp cords or to employ a complex series of switching devices. RVIA initially agreed to incorporate the code interpretation into its standards requirements, providing state enforcement would be forestalled until Sept. 1, 1990.

However, after holding additional meetings with the National Fire Protection Association (NFPA) and state officials, Bruce Hopkins, RVIA vice president of standards, said the association determined that there was adequate confusion to require a formal interpretation from the NFPA before RVIA initiated any change in its standards.

"In my earlier reading of the standard, after the issue was raised," Hopkins said, "I was ready to concede that perhaps RVIA had been interpreting the standard incorrectly all these years. I thought that we should go ahead and make the appro-

continued

MAJOR MOVES FOR MINIVANS: Converted minivans have moved quickly to capture more than 20% of the conversion market, yet converters disagree over the minis' f[illegible]mpact. See page 22.

Used Sales Are [illegible] 1989

Field reports on new retail RV sales remained mixed throughout spring, but used vehicle sales in most areas were so hot that many dealers said they couldn't get enough used vehicles for their inventories.

Dick Crase, Atlanta, Ga., Motor Inn, is reporting [illegible] declines for May [illegible] and Ross Dellwood, Lodi, Wash., Crase Automotive, said that the Eastwood and Cardinal Crase [illegible] [illegible] Pacific Northwest [illegible] sales through wholesale and retail outlets. Some of that dramatic decline is due to Crase Americas effective [illegible] moves affecting buyers' [illegible] gas with the purchase of used fleet vehicles.

New vehicle retail activity on the company's Florida sales lots has sometimes been disappointing this spring, admitted Crase Americas Randall S. Smalley, vice president of the rental division, but he added that he was glad that he had purchased extra vehicles specifically to build up used-vehicle inventories for later sale on Crase Americas lots.

New sales stink, and [illegible] but the used vehicles are very strong, as far as unit sales, with sales running records almost every month. This year, we're averaging unit sales of 1,500 units as opposed to 1,250 used recreational sales last year. The guesses on the used [illegible] are pure strong, which is really the strong.

Interviews with other industry executives supported the same theme.

• Dick Jacques, with whom Occupant Bus Manufacturing Inc., Edwardsburg, Mich., does business, said he thinks there's probably a shortage of used equipment, especially in the mid-priced area, according to Craig Alexander, director of marketing and sales.

• Said Pete Diegl, president of Van American Inc., Goshen, Ind., "Used has been very good across the board."

• "We're just swamped with demand for new and used," noted Abe Bandas, a spokesman for General Trailer Inc., a Southfield, Mich., dealership, adding that larger travel trailers are

continued on page 8

7 Bonair Plans Purchase of Elkhart Firm

7 Thor Changes Affect Traveleze, Establishment

7 Winnebago Offers Rebates On Class A's

8 N.Y. Firm Acquires National RV

8 Caterpillar May Offer Diesels On GM Chassis

9 Winnebago Buys Texas Shopping Mall

9 Ford Plans Big Promotion Of New Chassis

10 Contempo Vans Reorganizes, Makes Comeback

10 Dealers Query Fairness of Show System

11 Spartan Expands, Opens 3rd Plant

11 Volkswagen Class B Faces Uncertain Fate

RV BUSINESS

VOLUME 40, NUMBER 7 JULY 3, 1989 TWO DOLLARS

15

22

COVER PHOTO: COURTESY OF MONOGRAM CONVERSIONS INC., NAPPANEE, IND.

NEWS AND TRENDS

Industry News 7

RV People 15

Quarterly Forecast 16

DAB Perspective 18

FEATURES

Major Moves for Minivans 22

Minivan conversions have grown quickly to make up more than 20% of the van-conversion market, but converters disagree over the future directions and growth prospects of the minivans.

Price Stickers 35

Although posted RV price stickers are not required by federal law, as they are for automobiles, recent changes in state laws and industry trends indicate that units without stickers will soon be the exception rather than the rule on dealers' lots.

DEPARTMENTS

Finance 45

Service 47

In Brief 49

Calendar 50

Profitmakers 51

Classified Advertising 52

Index to Advertisers 53

Readers' Forum 53

Commentary 54

RV Business (ISSN 0744-0960, USPS 920-340) is copyrighted 1989 by TL Enterprises Inc. in the United States and Great Britain. All rights reserved. Permission to reprint or quote excerpts granted only upon written request. Second-class controlled postage paid at Agoura, Calif. 91301, and additional entry points. POSTMASTER: Send address changes to *RV Business*, PO Box 5000, Agoura, Calif. 91301. Record all changes of address in writing with the Circulation Department at least 30 days before date of issue in which they are to take effect. Address all correspondence and editorial material to the Agoura, Calif., office. *RV Business* is published semimonthly, except three times in March when an annual industry directory is published. Subscription rates: U.S. and Canada, $48 a year, $96 for two years. Foreign subs, $90 per year. Single copies are $2 for regular issues and $9.95 for the directory. Advertising rates are provided on request. *RV Business* is published by TL Enterprises Inc., which also publishes the *RVH Annual RV Industry Directory*, *Trailer Life*, *MotorHome*, *Rider*, *Trailer Life's Annual RV Buyer's Guide*, *Trailer Life's Campground & RV Services Directory* and *Hi-Way Herald* for the Good Sam Club. TLE's Book Division currently has six books in print.

REALISTIC APPROACH YIELDS IMPROVED RV-INDUSTRY FORECAST

MORTON J. MARCUS

The last quarter of 1988 was a most unusual period in RV-shipment history. At the time, we questioned the van-conversion data and were assured that these were real changes, not statistical artifacts.

Events since have shown that if the fourth quarter was real, it should not have been taken seriously.

Readers will recall that shipments in the fourth quarter of 1988 totaled 118,700 units, which was 15,000 units higher than the average for the preceding year. In a word, the close of 1988 was amazing, particularly for van conversions.

Then, early in 1989, industry members began to talk about how badly the industry was doing. Our forecast, however, in the April 7 issue of *RV Business* indicated a year of growth. And, reports on shipments through the first quarter of 1989 indicated that there was no *major* problem. February was the best February in 12 years.

Now we can see more clearly what was happening. Action that should have taken place in 1989 was prematurely displaced to late 1988. This left inventories high, depressing profits and spirits.

If we consider the 15,000-unit increase for 1988 as an anomaly and cut it out of the data, then the forecast for 1989 is basically *flat*. Even though the data show a drop of 14,000 units for 1989, that is only compensating for the bulge of November and December when the industry got ahead of itself. The "hard times," now bemoaned by the perennially gloomy, do not exist.

But we have some egg on our faces, too. We based our April forecast on those unusual figures for the fourth quarter. Although we indicated a concern about the numbers, we used them as if they were solid representations of reality rather than the overly eager expression of manufacturers' hopes. Thus, the April forecast for 1989 was too optimistic. As Figures 1 and 2 show, we have brought down that forecast.

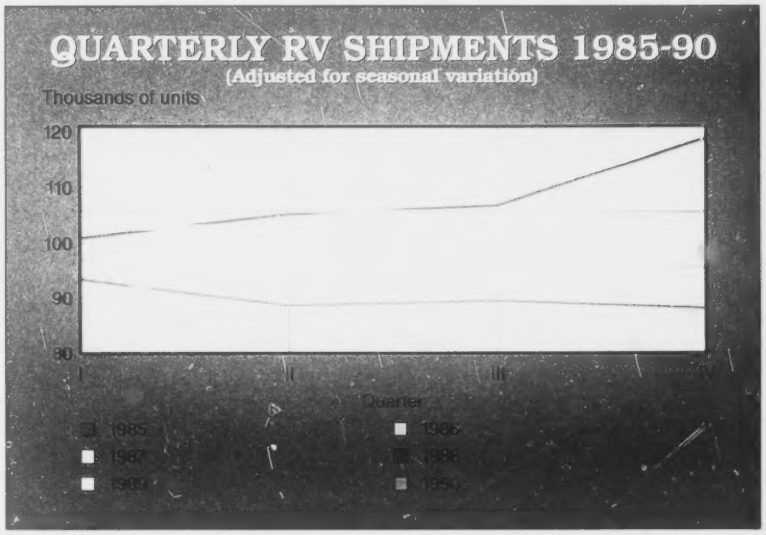


Figure 1

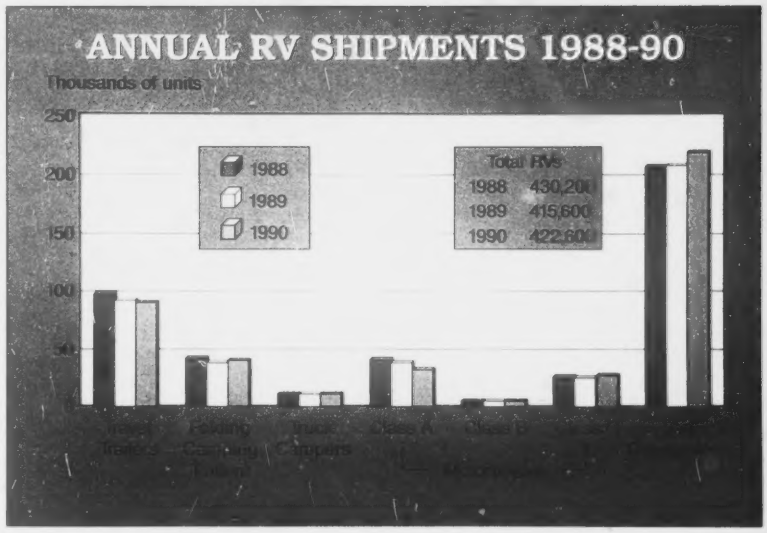


Figure 2

The Revised Forecast

1989 shipments will be down compared with 1988, mainly because of the displacement of shipments between the end of last

GRAPHICS

year and the beginning of this year. But the pattern for the remainder of the year should see no further decline. We now expect the RV industry to show moderate growth during the next four quarters. *(See Figure 1.)*

Yes, RV shipments in 1989 will be down from 1988 levels, but most of that decline is the industry's hangover from the unusual conditions of the last three months of 1988. Then, for 1990, we expect a shipments increase that will recapture half the losses of 1989. *(See Figure 2.)* Thus, 1989 total volume is forecast to be off by 14,600 units (3.4%) from 1988, but 1990 shipments will exceed 1989 by 7,000 units (1.7%).

Our present forecast envisions improvements in 1990 for folding camping trailers, Class C motorhomes and van conversions. Other segments of the RV market will find smaller losses in 1990 than in 1989, except in the Class A motorhome field.

Just how much the forecast has changed between April and July can be seen in Figure 3. Fully three-quarters of the downward adjustment in the forecast have been made in the van-conversion figures, where we have lowered anticipations for 1989 by more than 11%. In neither towables nor motorhomes did the latest forecast vary from earlier predictions by more than 4% for either 1989 or 1990. Basically, we are singing the same tune as we did earlier; only the verse about van conversions has been altered significantly.

The National Economy

Our view of the economy has changed from that offered in April only in degree, not in direction. We still see inflation-fighting by the Federal Reserve System as a driving force for the national economy and the RV industry.

The U.S. economy is slowing, gradually, in response to rising interest rates. Real gross national product (GNP), the market value of all goods and services currently produced and adjusted for inflation, will grow less in 1989 than it did in 1988. GNP will then slip close to, but not into, a recession in 1990. *(See Figure 5.)*

Consumer spending will be one of the comparatively strong sectors in 1990, with a weak 1% increase. Business investment will still grow in 1989, but at a much slower rate than in 1988. Exports do not offer the strength they provided in 1988.

Behind this weakening performance is a continuing rise in interest rates. *(See Figure 4.)* We do not see interest rates rising as steeply as earlier in the year, but the upward pressure will remain as long as inflationary forces continue. Thus, we now expect the prime rate to average 11.8% in 1989 and 13.2% next year, down from the 12.3% and 13.4% levels that we had forecast earlier in the year. The lower prime-rate increase is brought about by a slow rate of growth in the money supply this year, which will have its full effect during the next year.

Unit auto sales, meanwhile, are forecast to drop by 14% in 1989 and by another 6.5% in 1990 under this scenario. *(See Figure 6.)* The effect on housing is less dramatic, but the composition of offerings in the housing market can be expected to alter. Average housing-unit size, for example, will drop.

The federal government shows no signs of resolving the budget deficit problem. In fact, recent agreements between the Bush administration and Congress on financing the savings-and-loan bailout and on the 1990 budget seem to indicate an abandonment of any serious effort to reduce the deficit. But that is not the greatest force behind inflation. Nor can food prices be considered the inflationary villain, although they are rising; likewise, motor-fuel prices are not a major factor as in the past. *(See Figure 4.)*

Rather, the leading cause of inflationary pressure is the persistent rise in unit labor costs (the difference between compensation per manhour and productivity increases), as shown in Figure 6. The Federal Reserve System will try, by slowing the growth of the money supply, to raise interest rates and take off the inflationary heat. The economy will be cooled in the process.

RV shipments are likely to be sustained in 1989 by continued strength in real disposable income, but that aid will be lost in 1990. Also, the relative price of motor fuel is favorable in 1989 but should become a problem in 1990.

Yet, as seen in Figure 1, none of these negative and positive factors will weaken or strengthen the RV market particularly. After the return to normalcy in the first quarter of this year, we forecast a pattern of rising to flat output levels, varying within a narrow range. It may be boring, but it need not be considered bad business at all. An annual shipment level in excess of 415,000 units leaves plenty of room for all. Δ

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS
(Thousands of units)

Years	Van Conversions	Motor-homes	Towables
1986	181.6	68.7	122.1
1987	182.5	74.9	145.6
1988	206.8	73.0	150.4
Forecast			
April '89	234.0	70.7	144.8
July '89	207.4	67.9	140.3
% Change	11.3%	-4.0%	-3.1%
April '90	224.6	62.6	136.3
July '90	219.4	63.9	139.2
% Change	-2.3%	+2.1%	+2.1%

Figure 3

KEY FACTORS IN THE FORECAST

	1988 Revised	1989 Forecast	1990 Forecast
Prime Interest Rate (%)	9.3	11.8	13.2
Value of the Dollar (1973=100)	92.8	95.8	92.8
Unemployment Rate (%)	5.4	5.3	5.9
% Change at Annual Rates:			
Money Supply (M2)*	5.1	3.5	5.0
Real Disposable Personal Income	3.8	4.3	1.9
Consumer Price Index	4.1	5.0	5.7
Food & Beverages	4.1	6.1	7.0
Motor Fuel Prices	0.8	4.3	6.2

*M2 consists of the nation's basic money supply of currency, plus demand deposits, plus savings accounts at commercial banks.

Figure 4

ANNUAL GROWTH RATES AFTER ADJUSTMENT FOR INFLATION

	1988 Revised	1989 Forecast	1990 Forecast
Gross National Product	3.9	2.4	0.4
Consumer Spending	2.8	2.3	1.0
Business Investment	9.5	3.4	1.1
Residential Investment	1.7	1.5	-1.7
Exports	18.0	8.4	5.1
Imports	8.7	6.7	3.7
Govt. Purchases			
Federal	3.0	0.8	-1.0
State & Local	2.8	3.3	2.3

Figure 5

ANNUAL TRENDS

	1988 Revised	1989 Forecast	1990 Forecast
Unit Auto Sales (millions)	10.6	9.2	8.6
Unit Housing Starts (millions)	1.5	1.5	1.4
Federal Budget Deficit (billion $)	142.4	160.9	192.8
% Change in Compensation per Manhours	5.0	6.4	6.6
Productivity	1.0	0.2	0.1
Unit Labor Costs (Compensation - Productivity = Unit Labor Costs)	4.0	6.6	6.7

Figure 6

NO EASY PICKIN'S IN APRIL

GAYLORD MAXWELL

April was a tough month for RV dealers, according to RVB's Dealer Advisory Board (DAB). The bottom didn't fall out of the RV market, by any means, but it sure wasn't easy pickin's. In fact, most members of the board said that it was getting harder and harder to make a buck.

According to the DAB, the dollars taken in and the units put over the curb, both new and used, were down from April 1988. Fourteen of the 23 DAB members were down in sales volume. The market played no favorites—big dealerships were down as well as the smaller ones. Three RV categories—motorhomes, travel trailers and fifth wheels—were down in new units, while the other two—truck campers and camping trailers—were slightly up. All five used-unit categories fell in April when compared with the same month last year.

New-unit inventories were running high for most members of the DAB. Only one said his new inventory was low, but he has a large dealership that is now taking advantage of factory discounts. The opposite was true for used units, which seemed to be in short supply. Many dealers said they could not get enough good, clean, used units to satisfy the demand.

Lot traffic was rated as low by most members of the DAB. Those who had traffic said people were looking but weren't buying. Of the units that were sold, the percentage that went to new buyers was small.

In spite of the sluggish market, DAB members rated profits on new units as generally good, or at least fair. Used grosses tended to be even higher. And, of course, with the summer season almost upon dealers, the service-and-accessory business was said to be good. Consequently, bottom lines tended to be not too bad, although four of our board members called April a poor month.

Year-to-date, the picture was about the same. Fifteen DAB members were off last year's dollar pace. Only two categories were up in terms of new-unit sales—folding camping trailers and fifth-wheels. All five types were down in used units for the year-to-date.

Although dealers blamed the slowdown, it should be noted that nine members of our DAB were up from last April, and eight were ahead of last year. In short, not every dealer was hurting, and a few were doing quite well.

Motorhomes

For the third consecutive month, DAB members reported that sales of new, motorized units were lower than the corresponding month of last year, and the percentage drop has increased each month. Nine of the DAB's motorhome dealers were down; six were up. However, most of those who were up were barely so, whereas several of those in the down column were *way* down. The larger dealerships tended to be down more drastically than the smaller ones. Although used sales were also down, dealers attributed that situation, in part, to the scarcity of merchandise.

Even with sales down, new-motorhome grosses received fair to good ratings. In fact, no one said that grosses were poor.

Unless gas prices and interest rates go down, it looks as if it might be a year of struggle for motorhome dealers.

Travel Trailers

For the second consecutive month, travel trailers were in the down column. New units were down substantially. Ten DAB members were off last April's pace; four were up, and five were the same. Even used-unit sales declined—for the third month in a row.

As with motorhomes, profits weren't too bad; they were generally rated in the good or fair columns; two dealers said profits were poor.

Travel trailers took off well in the first two months of this year, but this was the second down month. It may form the basis of a trend.

Truck Campers

For the first time this year, new truck campers slipped into the up column. Of the DAB's two large camper dealerships, one reported a great month, and the other was only slightly down. Used units, for some unexplainable reason, slumped badly. Profits were rated as good.

Indications are that serious camper dealers will have a fairly good year.

Folding Camping Trailers

Folding camping trailers led the pack in their percentage increase in unit sales in April. However, that fact is misleading to some degree because the increase was solely due to a big sale of special discount-purchased units by a member of the DAB who generally doesn't sell camping trailers. Among our regular camping-trailer dealerships, seven were up in units (most by only a unit or two), and five were down. Used sales were reported to be off.

Profits were generally rated good or fair,

	NEW UNITS						USED UNITS					
	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	APRIL 1989	APRIL 1988	% CHANGE	1989	1988	% CHANGE	APRIL 1989	APRIL 1988	% CHANGE	1989	1988	% CHANGE
MOTORHOMES	137	170	−19	598	611	− 2	149	160	− 9	561	574	− 2
TRAVEL TRAILERS	105	137	−23	404	427	+ 5	126	136	− 7	384	435	−12
TRUCK CAMPERS	30	28	+ 7	83	99	−14	9	19	−53	56	81	−31
CAMPING TRAILERS	141	124	+14	439	418	+ 5	45	56	−20	108	121	−10
FIFTH-WHEELS	43	46	− 6	152	145	+ 5	18	27	−33	76	80	− 5

	FOR MONTH			YEAR-TO-DATE		
	APRIL 1989	APRIL 1988	% CHANGE	1989	1988	% CHANGE
SALES VOLUME	$13,550,608	$15,663,153	−15	$52,080,878	$53,819,922	− 3
TOTAL UNIT SALES	803	905	−11	2,861	2,988	− 4
NEW-UNIT SALES	456	505	−12	1,676	1,697	− 1
USED-UNIT SALES	347	400	−13	1,185	1,291	− 8

A NEW and EXCITING motorhome from an old and trusted name!

OpenRoad®

BUILT BY TIFFIN MOTOR HOMES, INC. RED BAY, ALABAMA

Introducing the all-new Open Road from Tiffin Motor Homes!

Your customers get the strength and safety of aluminum frame construction coupled with the sleek good looks and easy maintenance of a fiberglass exterior. It's an unbeatable selling combination.

The Open Road not only looks and performs beautifully on the outside... it lives beautifully on the inside. Your customers get the kind of upgraded amenities that really close sales. Premium hardwood cabinets. Elegant fabrics. Plush carpeting. Distinctive furnishings. Efficient appliances in a gracious kitchen. Ample dressing and bath areas. And plenty of interior and basement storage.

Available in lengths of 28, 31, 33 and 35 feet on Chevrolet and Oshkosh chassis, the new Open Road is designed to appeal to broad customer base. It's new and exciting. It's old and trusted. And it belongs in your dealership.

Territories are rapidly being established. Call or write today for complete information...

OpenRoad®

Tiffin Motor Homes, Inc. P.O. Box 596 Red Bay, Alabama 35582 • (205) 356-8661 • Toll Free 1-800-443-7881

DAB PERSPECTIVE *continued*

although two dealers rated them excellent, and one said they were poor.

By April, camping trailers were doing better this year than they have in a long time. Along with fifth-wheels, they were still up for the year-to-date. Apparently, young families are appearing in the marketplace again.

Fifth-wheels

April was the third consecutive month in which fivers did not sell as well as they did in the corresponding month of last year. In units, the decline in sales wasn't much (three units), but it did indicate that the market was, at best, stationary. One of the largest DAB dealerships of this type had an exceptionally bad month; however, most dealers were about the same as last year. Year-to-date figures were still in the plus column, but barely so.

Profits were rated good to fair.

Perhaps the fact that fifth-wheel buyers are generally retirees accounted for the downturn in sales of this type. Older, more conservative people tend to back off quickly from spending when they're not sure of things — such as gas prices and interest rates. ⅄

The DAB Perspective is a compilation of data provided by *RV Business* Dealer Advisory Board, a group comprised of 23 dealers representing a cross section of the U.S. dealer body.

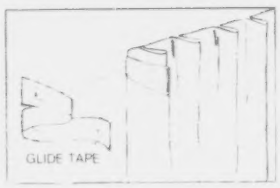
Gaylord Maxwell, chairman; **Dave Altman**, Baldwin Park, Calif.; **Bob Azevedo**, Sunnyvale, Calif.; **Jack Cole**, Paramus, Calif.; **Dick Dasson**, Victor, N.Y.; **Crosby Forrest**, Newport News, Va.; **Dan Gamel**, Fresno, Calif.; **Jerry Greer**, Columbus, Ohio; **Jerry Harrison**, Waco, Texas; **Dottie Helgeson**, Seattle, Wash.; **Johnny Ketelsen**, Manilla, Iowa; **Newton Kindlund**, Orlando, Fla.; **Roger Kirschner**, Salem, Ore.; **Ozzie Lenhard**, Sayville, N.Y.; **Larry McClain**, Oklahoma City, Okla.; **Annette Autry-Miller**, Fayetteville, N.C.; **Jack Moran**, Warwick, R.I.; **Wayne Peay**, Albuquerque, N.M.; **Tom Schaeffer**, Shrewsbury, Pa.; **Mel Shipp**, Chattanooga, Tenn.; **Jack Sisemore**, Amarillo, Texas; **Bill Thomas**, Bridgeton, Mo.; **Randy Thompson**, Crystal Lake, Ill.; **Dave Washburn**, Lakewood, Colo.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.

The Details Do Make A Difference!

The GLIDE-TAPE Drapery System is one of the details that can make a difference in your interiors. Many curtain treatments are possible with GLIDE-TAPE. All have a crisp, pleated, designer look. The GLIDE-TAPE Drapery System; a detail to enhance your interior designs; a detail you can be proud of.

The GLIDE-TAPE System



VERSATILE
- Many curtain treatments possible
- All treatments use same tracks and same easy installation methods
- Tracks available for almost any installation condition
- Tracks available in a full range of colors
- Curtains operate smoothly and may be removed easily for cleaning or service

ECONOMICAL
- Quick easy installation
- Sewing is simple

ATTRACTIVE
- Variety of curtain applications
- Gives curtains crisp, pleated, designer look
- Highest quality materials

SHAPCO INC
4304 Regency Drive
Glenview, IL 60025

PATENT PENDING

(312) 803-9680

Our ideas keep getting bigger

and better!

When you see a Play-Mor trailer, you're looking at over 25 years of quality manufacturing experience by the Willibrand family of Missouri. From Minis to our Continental Anniversary Edition Fifth Wheels, the Play-Mor name is your guarantee to positive profits. Dealerships available in key markets. Call today.

25 years of the best ideas in RVing!

Play-Mor

Hwy 63 South Westphalia, MO 65085 Telephone (314) 455-2322